

AID TO SUBDIVISIONS:

FORMULA FUNDING

PRESENTED TO

HOUSE WAYS AND MEANS

LOCAL GOVERNMENT FUND AD HOC COMMITTEE

October 11, 2017



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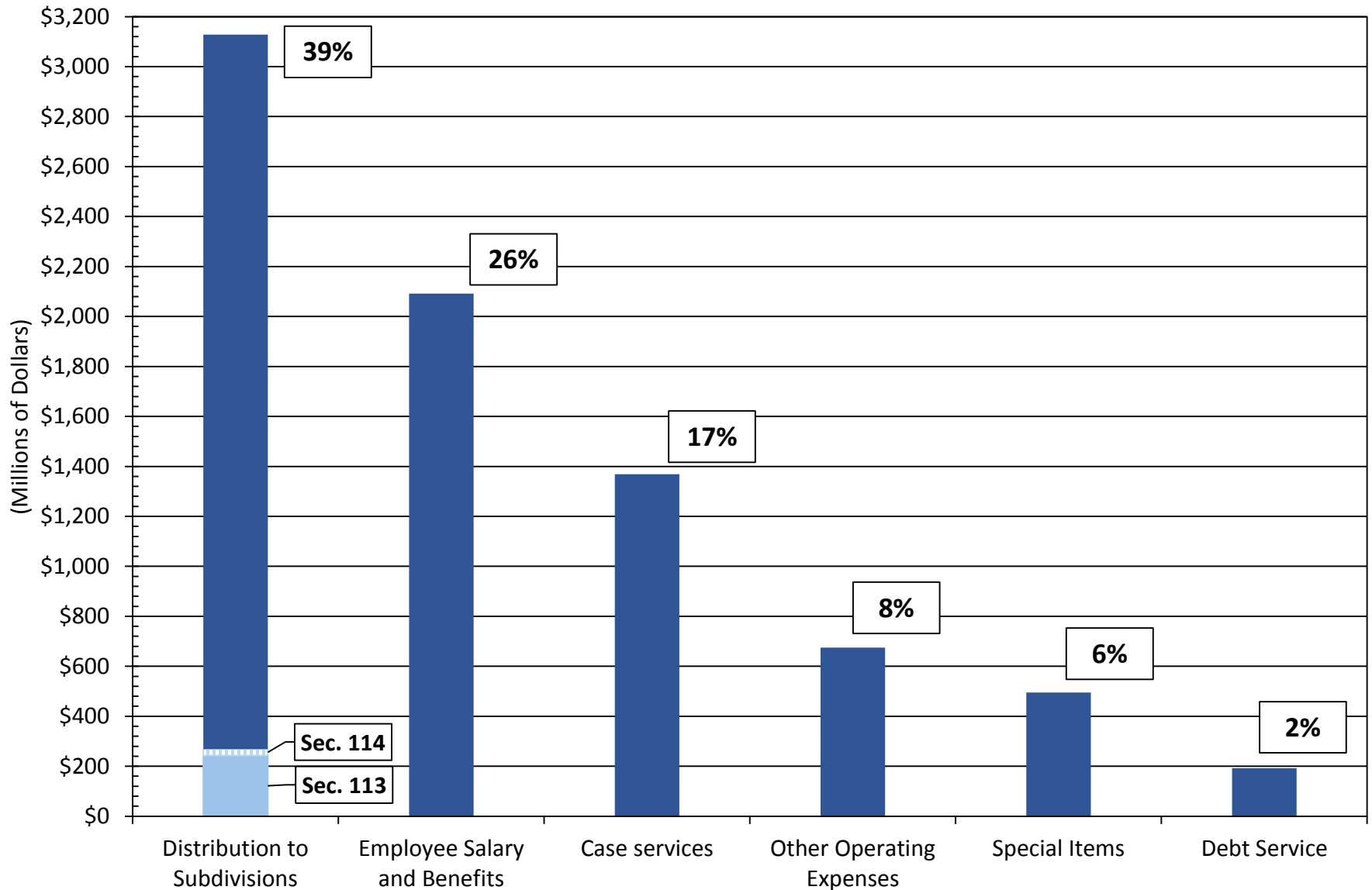
PURPOSE OF AID TO SUBDIVISIONS

- Revenue Sharing
- State Mandates
- Tax Relief
- Diversify Tax Base
- Other

RECIPIENTS OF AID TO SUBDIVISIONS FUNDING

- Schools
- Counties
- Municipalities
- Other Entities

GENERAL FUND APPROPRIATIONS BY MAJOR BUDGET CATEGORY FY 2017-18



TYPES OF AID TO SUBDIVISIONS

- Formula Funding
- Supplements
- Reimbursements/Tax Relief
- Grants

FY 1979-80 GENERAL APPROPRIATIONS ACT SECTION 120 - AID TO SUBDIVISIONS

I. Aid to Counties	\$ 77,695,092
II. Aid to Municipalities	\$ 17,826,945
III. Aid to Districts	<u>\$ 500,000</u>
Total Aid to Subdivisions	\$ 96,022,037

FY 2017-18 GENERAL FUND APPROPRIATION ACT AID TO SUBDIVISIONS

Section 113 (X220 – State Treasurer)

Formula and Grants \$ 243,058,912

Section 114 (X440 – Dept. of Revenue) \$ 25,735,247

Homestead Exemption Fund (Shortfall)

Section 115 – Tax Relief Trust Fund \$ 583,649,169*

Homestead Exemption – Seniors and
\$100,000 School Operating, Manufacturers'
Depreciation, Merchants' Inventory
*(Other Funds)

STATE AID TO SUBDIVISIONS

FORMULA FUNDING

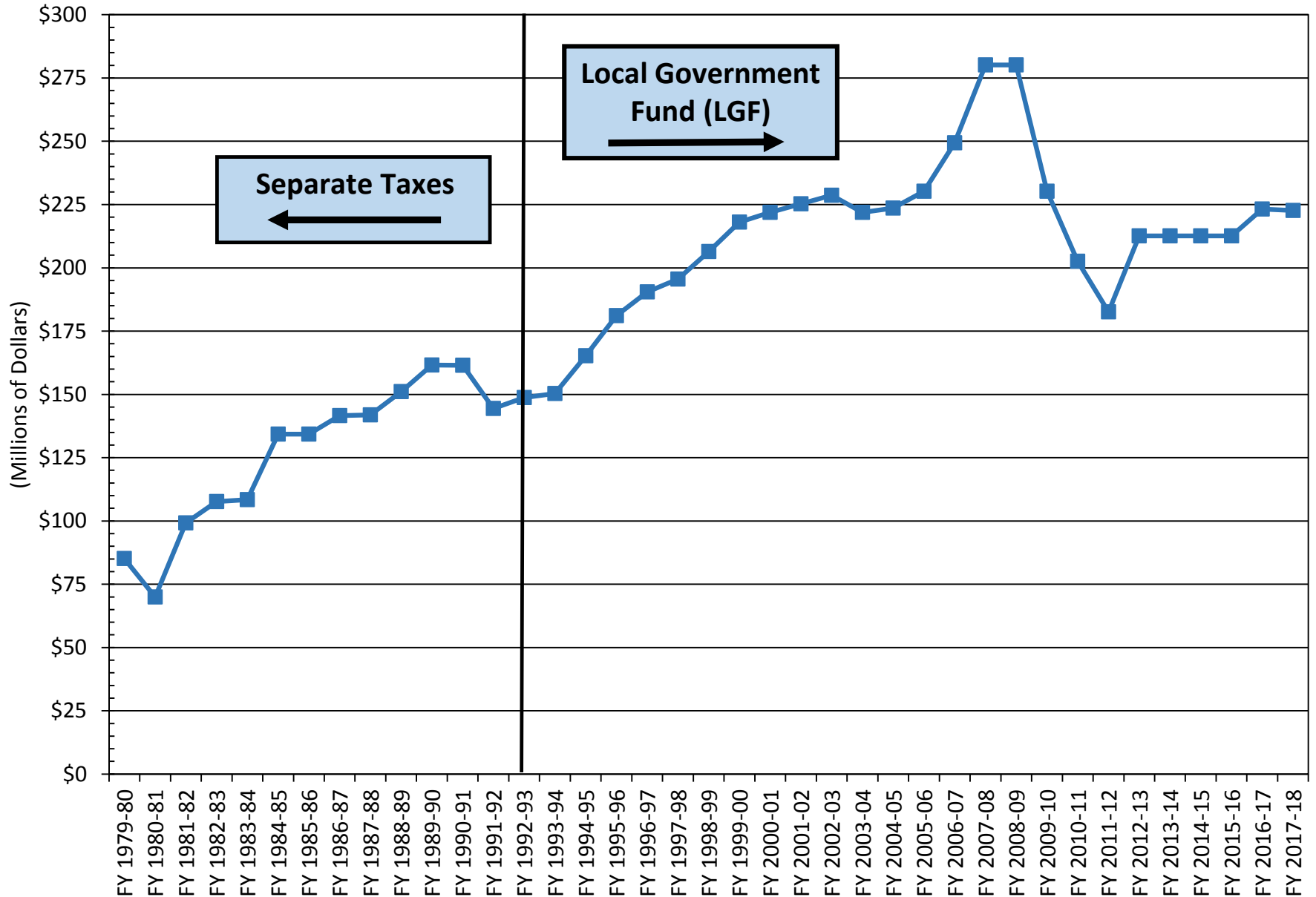
Pre 1992-93

- Varying percentages of specific General Fund Revenue items

Local Government Fund 1992-93

- 4.5% of previous completed fiscal year General Fund Revenue
- 83.278% to Counties
- 16.722% to Municipalities

AID TO SUBDIVISIONS APPROPRIATIONS - **FORMULA FUNDING**



FORMULA FUNDING PRIOR TO 1992-93

- 7.5% of Individual Income Tax collections, less 50 cents per capita of county allocations to be used to provide Medicaid services
- 25% of insurance premium fees
- 25% of broker's premium tax
- 25% of 25 cent per mini-bottle tax
- The other 75% of 25 cent per mini-bottle tax and 40% of all alcoholic beverage taxes
- 90% of bank income tax
- 25% of 5/6ths of beer tax and license fees
- 25% of wine tax and license fees
- 1 cent of the 10.34 cents per gallon tax on gasoline
- 20% of the \$15 fee on motor carriers obtaining a temporary permit

FY 1979-80 GENERAL APPROPRIATIONS ACT

FORMULA FUNDING ITEMS

<u>Aid to Counties</u>	<u>Items</u>	<u>Totals</u>
Alcoholic Liquors Tax	\$ 6,339,403	
Alcoholic Liquors Tax – Mini-Bottle	\$ 2,180,000	
Bank Tax	\$ 1,440,194	
Beer and Wine Tax	\$ 2,552,196	
Gasoline Tax	\$ 15,936,172	
Income Tax	\$ 33,779,075	
Insurance Tax	\$ 7,214,052	
Homestead Exemption Reimbursement	<u>\$ 8,254,000</u>	\$ 77,695,092
 <u>Aid to Municipalities</u>		
Alcoholic Liquors Tax	\$ 6,340,365	
Bank Tax	\$ 672,060	
Beer and Wine Tax	\$ 6,560,628	
Insurance Tax	\$ 1,016,000	
Motor Transport Tax	\$ 1,091,892	
Homestead Exemption Reimbursement	<u>\$ 2,146,000</u>	\$ 17,826,945

REASONS FOR CHANGING PREVIOUS FORMULA

- Seven separate taxes to estimate and budget
- Twelve different checks to issue quarterly
- Provisos capping formulas (Proviso 122.1 of FY 1990-91)

LOCAL GOVERNMENT FUND

- 4.5% of prior year's General Fund Revenue
- Easier to estimate and budget
- Parallel growth to State

FY 2017-18 GENERAL APPROPRIATIONS ACT

SECTION 113

I. Aid to Subdivision – Formula Funded

• Fire Districts	\$ 16,496,453
• Local Government Fund	\$ 222,619,411
• Planning Districts	\$ 556,253
• County Veteran's Offices	\$ 268,482

II. Aid to Subdivisions – Categorical Grants

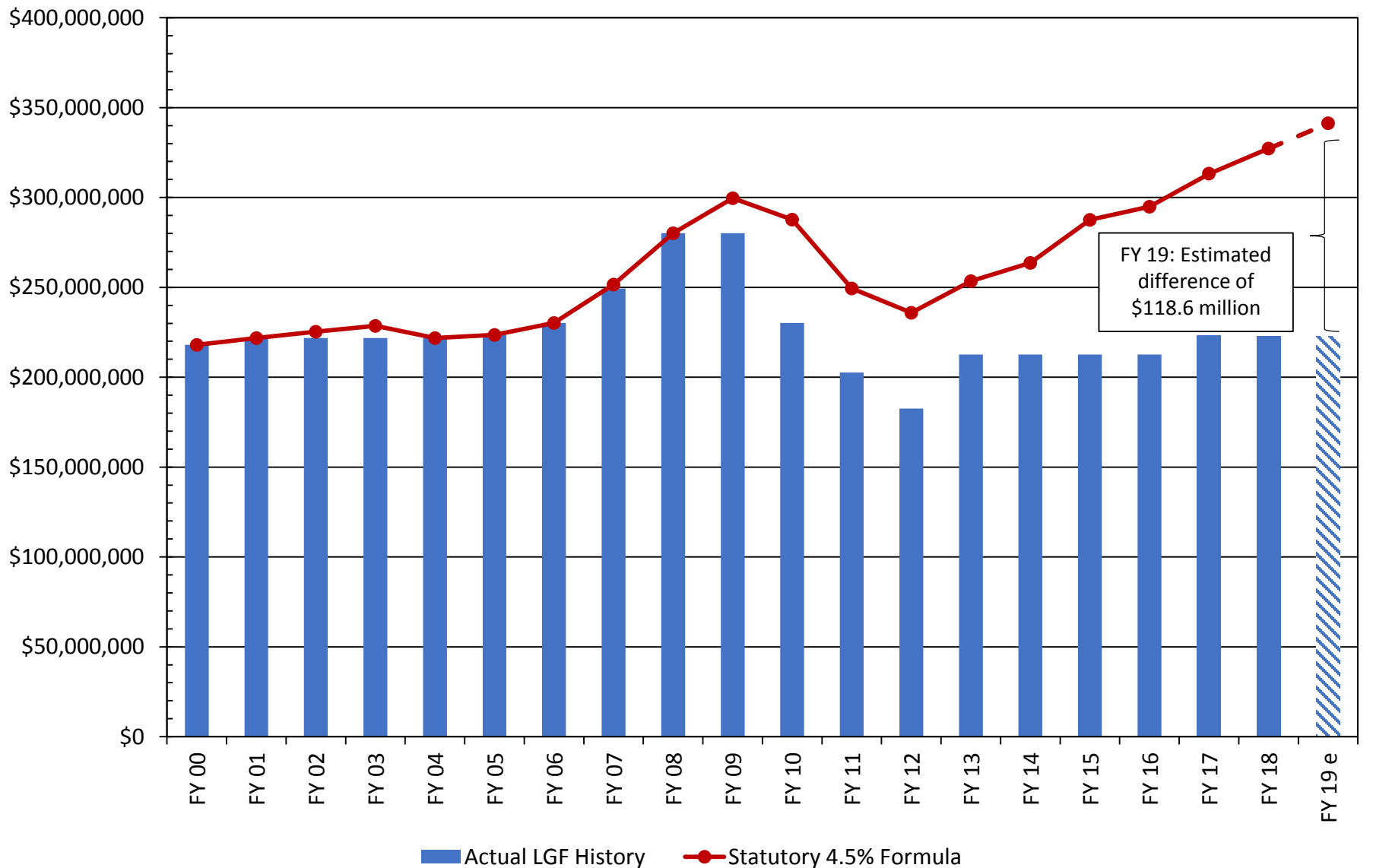
• Clerk of Court	\$ 72,450
• Probate Judges	\$ 72,450
• Sheriffs	\$ 72,450
• Resident Deeds	\$ 33,075
• Coroners	\$ 72,450
• Auditors	\$ 1,388,087
• Treasurers	\$ 1,388,086

III. Employee Benefits

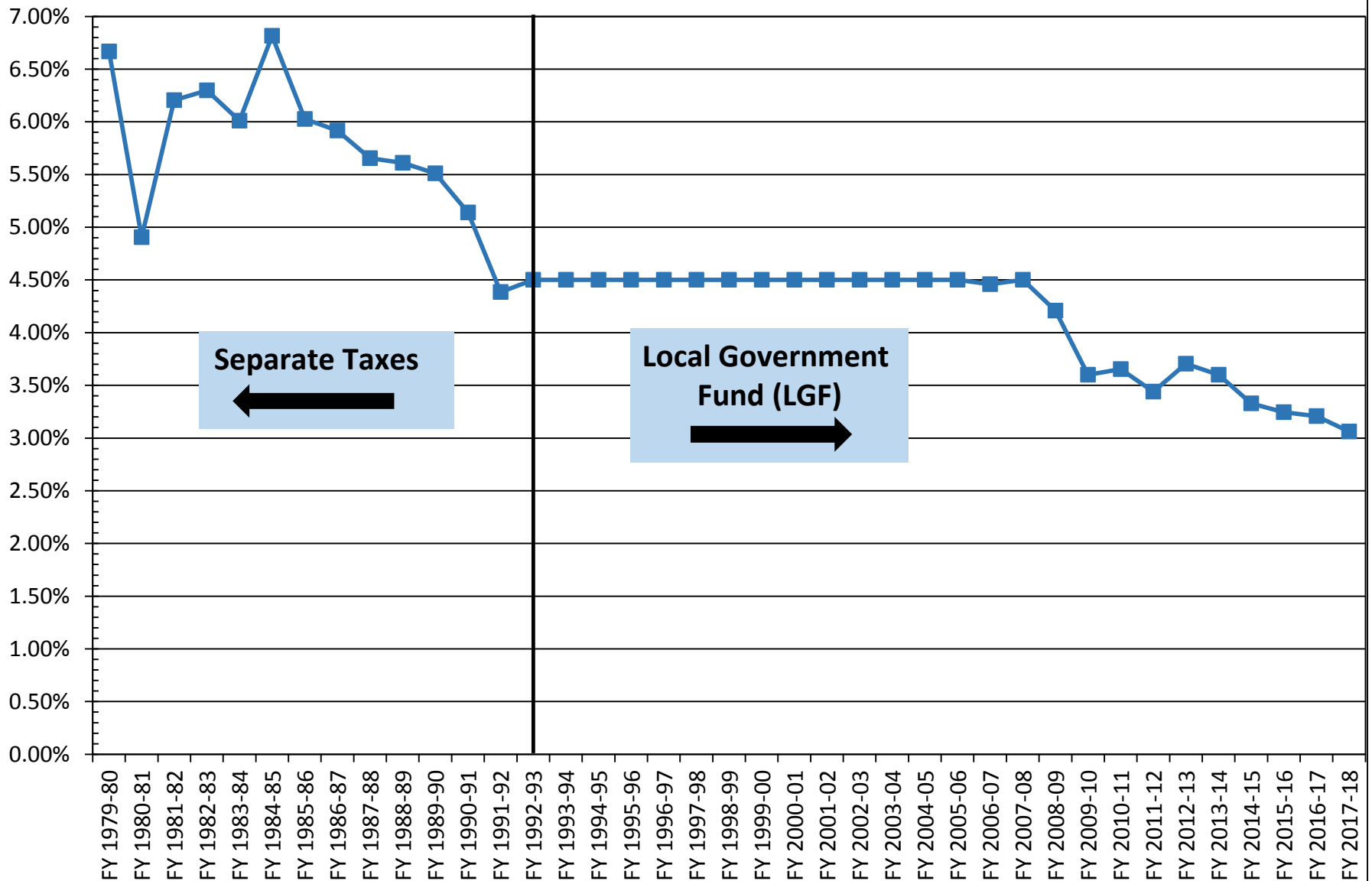
\$ 19,265
<u>\$ 243,058,912</u>

LOCAL GOVERNMENT FUND

Comparison of Actual Funding to Statutory Formula



AID TO SUBDIVISIONS APPROPRIATIONS - **FORMULA FUNDING** Percent of Previous Fiscal Year's Actual General Fund Revenue



LOCAL GOVERNMENT FUND FY 2017-18 PER CAPITA ALLOCATIONS

4.5% Formula

Actual

County

\$58

\$40

Actual allocations range from \$405,028 to \$17,860,290

Municipal

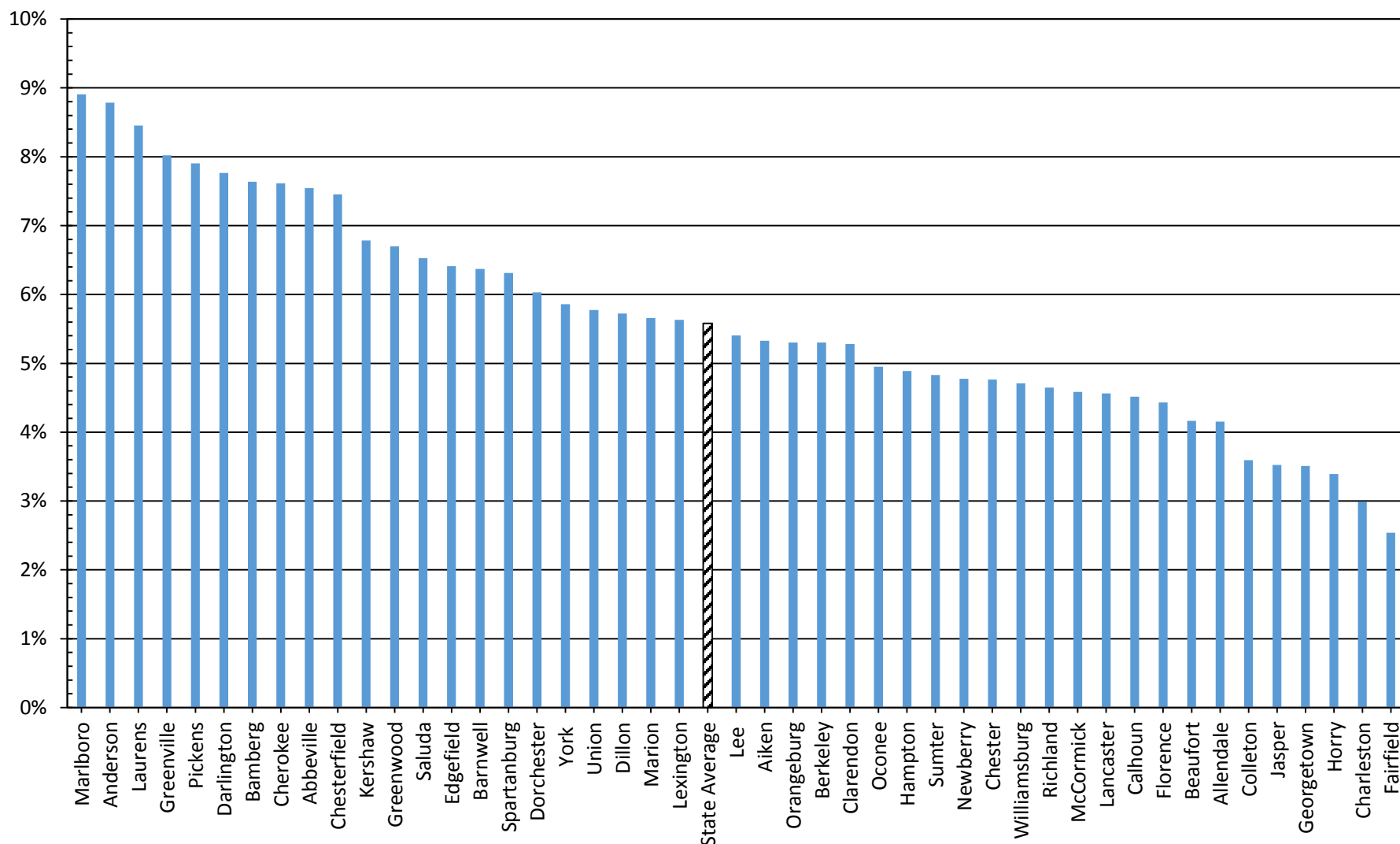
\$33

\$20

Actual allocations range from \$1,016 to \$2,919,902

COUNTY AID TO SUBDIVISIONS FUNDING

As a Percent of Total County Revenues - FY 2014-15



Note: Data are based upon actual aid to subdivisions funding from the State Treasurer's Office and revenues from the Local Government Finance Report. Revenues exclude bond proceeds.

IMPACT OF 2020 CENSUS

- Local Government Fund allocations are based on the most recent official US Census
- 2020 Census will likely cause a major reallocation of existing funds
- Entities that grew faster than state average will gain additional funds; entities that grew slower than state average will lose funding



APPENDIX

AID TO SUBDIVISIONS APPROPRIATIONS FORMULA FUNDING

Chapter 27 of Title 6 of the SC Code of Laws mandates that 4.5% of the previous year's General Fund revenue collections be appropriated to the Local Government Fund (beginning in FY 1991-92). The amount is apportioned on the basis of 83.278% for counties and 16.722% for municipalities. Prior to the creation of the Local Government Fund in FY 1991-92, various taxes were collected by the state and appropriated to local governments based on differing formulas for each revenue source.

FISCAL YEAR	AID TO SUBDIVISIONS FORMULA FUNDING	FISCAL YEAR	AID TO SUBDIVISIONS FORMULA FUNDING	
1979-80	85,122,037	2000-01	221,874,595	
1980-81	69,976,124	2001-02	225,303,162	
1981-82	99,173,595	2002-03	228,614,568	
1982-83	107,644,674	2003-04	221,874,595	
1983-84	108,440,132	2004-05	223,551,057	
1984-85	134,276,987	2005-06	230,232,591	
1985-86	134,255,783	2006-07	249,347,728	
1986-87	141,626,469	2007-08	280,171,196	
1987-88	141,912,139	2008-09	280,180,502	
1988-89	151,083,685	2009-10	230,232,591	1
1989-90	161,560,732	2010-11	202,619,411	1
1990-91	161,521,870	2011-12	182,619,411	1
1991-92	144,453,633	2012-13	212,619,411	1
1992-93	148,744,248	2013-14	212,619,411	1
1993-94	150,371,401	2014-15	212,619,411	1
1994-95	165,266,702	2015-16	212,619,411	1
1995-96	181,102,181	2016-17	223,219,411	1
1996-97	190,509,294	2017-18	222,619,411	1
1997-98	195,569,599			
1998-99	206,474,224			
1999-2000	218,056,570			

¹ For FY 2009-10 through FY 2017-18, 4.5% funding formula
as mandated in Section 6-27-30 of the SC Code of Laws was suspended.

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September 2017 (LGF)